NetScout Capital Corp.

Annual Report 2001

400, 521 – 3rd AVENUE S.W.
CALGARY, ALBERTA
CANADA T2P 3T3

PHONE: (403) 263-3653
FAX: (403) 263-3998
EMAIL: netscout@cadvision.com
WEB: www.netscoutcapital.com

REPORT TO SHAREHOLDERS
(Message from the President)

We had a profitable and enterprising year. NetScout's initial public offering ("IPO") provided the required capital for business operations and led to the listing of our shares on the Canadian Venture Exchange. Financial results in 2001 were strong, with income of $0.08 per share and return on shareholders' capital of 27%. We are also pleased to have built a solid foundation of profits for the 2002 year.

To date we have been unable to meet our expectations in the public shell re-sale aspect of our business, which has been affected by weakness in the junior IPO market. There exists very little demand for shells with investors demonstrating a limited appetite for new stocks. Sales of shells, and dividends of the shares retained in these transactions, will only commence at a meaningful level with a cyclical upturn in the junior IPO market. The challenging market environment has actually generated excellent opportunities for NetScout given our focus on the acquisition of underperforming companies. The Apollo Gas Income Fund transaction and the NRG Group Inc. transaction are both reflective of this business endeavour which provided excellent returns.

NetScout shares are trading at approximately 4.5 times earnings and in line with the value of our cash and securities. The Board of Directors is confident that this level of valuation is conservative and has approved a normal course issuer bid to facilitate the purchase of shares into treasury, and their subsequent retirement, thereby increasing the value of all remaining shares. We remain committed to conducting a profitable business, adding value on a per share basis and are confident that maintaining our focus will result in a more equitable evaluation of our shares in the market over time.

We would like to thank those shareholders who have taken the time to contact us with respect to potential opportunities. Our business model relies upon current information, strong networking and the ability to react to changing circumstances. We encourage you to continue to actively support your company.

We are looking forward to the next year of operation. Market conditions provide a never ending stream of challenges, obstacles and possibilities. Shareholders can stay current on our direction and financial performance by reviewing our web page on a regular basis.

Sincerely,

"Signed"

David L. Tonken
President

NETSCOUT CAPITAL CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2001

NetScout Capital Corp. (the "Corporation") is engaged in the business of assisting in the creation of, acquiring, consolidating, reorganizing and reselling publicly traded corporations and identifying business opportunities for those entities. The head office of the Corporation is located at 400, 521 – 3rd Avenue S.W., Calgary, Alberta T2P 3T3. During the 2000 calendar year, the Corporation's activities consisted primarily of raising capital, acquiring interests in eight reporting issuers and identifying business opportunities for those reporting issuers.

In June, 2000, the Corporation entered into an agreement with 2 principal shareholders of Data Trax Systems Ltd. ("Data Trax") pursuant to which the principal shareholders propose to grant an option to the Corporation to acquire a total of 17,304,136 common shares of Data Trax, representing approximately 68% of the issued and outstanding shares of Data Trax. Data Trax is a corporation which is incorporated under the laws of the Province of Alberta. Data Trax is a reporting issuer in the Province of Alberta. The securities of Data Trax are currently subject to a cease trade order issued by the Alberta Securities Commission. The grant of the option is subject to and conditional upon the lifting of the cease trade order issued against the securities of Data Trax. The Corporation has assumed responsibility for the operation of Data Trax and all expenses related thereto. The sole asset of Data Trax is a 90% interest in a low earth orbiting satellite.

In July, 2000, the Corporation acquired 1,700,000 common shares of Caliper Resources Inc. ("Caliper") representing approximately 83% of the issued and outstanding common shares of Caliper. The purchase price was $51,000. Caliper is a reporting issuer in the Province of Alberta. Caliper does not currently have any material assets.

In July, 2000, the Corporation acquired 1,700,000 common shares of Dusk Energy Inc. ("Dusk") representing approximately 83% of the issued and outstanding common shares of Dusk. The purchase price was $51,000. Dusk is a reporting issuer in the Province of Alberta. Dusk does not currently have any material assets.

In July, 2000, the Corporation acquired 1,300,000 common shares of Trident Minerals Inc. ("Trident") representing approximately 63% of the issued and outstanding common shares of Trident. The original purchase price was $39,000 which was subsequently reduced to $37,500 for accounting purposes. Trident is a reporting issuer in the Province of Alberta. Trident does not currently have any material assets.

The Corporation is actively engaged in identifying business opportunities for Data Trax, Caliper, Dusk and Trident. The Corporation receives regular enquiries with respect to its inventory, but poor market conditions continue to discourage purchasers from beginning the reverse take-over process.

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In July, 2000, the Corporation acquired 785,300 common shares of Tapestry Ventures Ltd. ("Tapestry") representing approximately 16% of the issued and outstanding shares of Tapestry and indebtedness of Tapestry in the approximate amount of $95,000. The purchase price was $150,000. Tapestry is a reporting issuer in the Province of British Columbia and its shares are listed on the Canadian Venture Exchange ("CDNX"). Tapestry does not currently have any material assets. In April, 2001, the Corporation, Tapestry and Investment Strategy Group Inc. ("ISG") entered into an agreement whereby Tapestry would acquire 51% of Cheng Xi Information Technology Ltd., a company carrying on business in Wuhan, China. The Corporation, Tapestry and ISG have entered into a subsequent agreement (the "Agreement") for the reorganization of Tapestry. The proposed reorganization is subject to regulatory and shareholder approval. Under the terms of the Agreement, Tapestry will acquire 51% of Cheng Xi Information Technology Ltd. in consideration for 13,260,000 common shares of Tapestry (the "Acquisition") and complete a private placement of 2,000,000 units to ISG and 1,750,000 units to NetScout at a price of $0.10 per unit (the "Private Placement"). Each unit will be comprised of one common share of Tapestry and one warrant. Each warrant is exercisable into one common share of Tapestry at an exercise price of $0.14 and has an expiry date of 2 years from the date of issuance. ISG has agreed to provide by October 1, 2001 the initial documents required under CDNX policies to obtain CDNX acceptance of the Acquisition and of the Private Placement. ISG has agreed to pay NetScout $5,000 per month as a "good faith" deposit commencing August 1, 2001. The amount will increase to $25,000 per month commencing October 1, 2001 should ISG not deliver the initial documents required to effect the transaction by that date. If the Agreement is terminated prior to completion of the Acquisition, NetScout will retain the deposit as a non-completion fee. The Agreement will terminate if the Acquisition is not completed within 12 months from the effective date of the Agreement. The parties are presently preparing documentation necessary to meet regulatory requirements in order to complete the transaction.

In August, 2000, the Corporation acquired all of the issued and outstanding shares of 9 private corporations for the total sum of $4,500. The private corporations have no material assets and have never carried on business. The private corporations were acquired from two individuals who were directors and officers of the Corporation. One of the private corporations was subsequently sold to a third party who was at arms' length to the Corporation.

In June, 2000, the Corporation acquired 250,000 common shares of Revolve Capital Corp., a capital pool corporation listed on CDNX. The purchase price was $25,000. In October, 2000, the Corporation acquired 1,000,000 common shares of Old Sun Resources Ltd., which at the time was a capital pool corporation. The purchase price was $100,000. The Corporation has since received a return of the Corporation's investment cost of $90,000 in Old Sun Resources Ltd. of which no gains or losses were incurred. Old Sun Resources Ltd. has since completed its qualifying transaction and changed its name to Ripper Oil and Gas Ltd. The Corporation assisted the promoters of these corporations by providing corporate finance advice and access to its network of lawyers, accountants and investment dealers. The Corporation has invested in founders' shares of both corporations and intends to continue to take advantage of Capital Pool Corporation opportunities as they arise.

Pursuant to an agreement dated effective August 16, 2000 made between the Corporation and David L. Tonken, a director and officer of the Corporation, David L. Tonken granted to the Corporation an option to acquire 4,400,000 common shares and debt in the amount of $7,500 of Eagle Tail Energy Ltd. ("Eagle Tail"), representing approximately 94% of the issued and outstanding common shares of Eagle Tail, at a price of $0.03 per share until August 15, 2002. In consideration for the grant of the option, the Corporation paid the sum of $35,000 to David L. Tonken. In December, 2000, the Corporation exercised its option and acquired 4,400,000 shares of Eagle Tail representing approximately 94% of the issued and outstanding shares of Eagle Tail and debt in the amount of $7,500 for the sum of $132,000 (less the sum of $35,000 previously paid for the grant of the option) from David L. Tonken, a

director and officer of the Corporation. In January, 2001, Eagle Tail acquired all of the issued and outstanding shares and certain indebtedness of Apollo Gas Inc. ("Apollo") for the sum of $8,300,000. At the time of the acquisition, Apollo was a wholly owned subsidiary of Apollo Gas Income Fund (TSE-APO.UN) with net cash assets of approximately $11,000,000.

On June 5, 2001, the Corporation acquired a 14.8% interest in the NRG Group Inc. ("NRG"), (TSE-NRG) for approximately $368,000. NRG is a high tech incubator company with a number of diverse investments. On June 25, 2001 one of these investments, Medcomsoft Inc. (TSE-MSF) increased significantly in value. This resulted in an increase in value of the Corporation's NRG share position. The Corporation's interest in NRG were therefore sold on June 25, 2001 for $1,295,987.

The Corporation has reported gross revenues for the twelve months ended June 30, 2001 of $1,648,734 compared with $8,375 for the twelve months ended June 30, 2000. These revenues were primarily generated from receipt of dividends as a result of the Apollo. acquisition and the sale of the Corporation's investment in NRG. Operating expenses for the twelve months ended June 30, 2001 were $850,335 compared with $209,060 for the twelve months ended June 30, 2000. Operating expenses increased primarily due to the fact that the Corporation was more active during the current fiscal year. Additional employees were hired resulting in increased salaries and benefits. Premises were leased resulting in increased lease costs. Inventory was acquired resulting in increased office and administration expenses, filing fees and professional fees. The net income for the twelve months ended June 30, 2001 was $798,399 compared to a net loss of $200,325 during the twelve months ended June 30, 2000.

As at June 30, 2001, the Corporation's working capital was $2,940,046, allowing the Corporation to meet its ongoing obligations as they become due. In addition to the Corporation's working capital of $2,940,046, the Corporation also has an inventory of five reporting issuers with an investment cost of $198,610 and deferred revenue of $330,000 which will be recognized when the inventory is sold.

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NetScout Capital Corp.
Consolidated Financial Statements
June 30, 2001

Auditor's Report

To the Shareholders of
NetScout Capital Corp.

I have audited the consolidated balance sheets of NetScout Capital Corp. as at June 30, 2001 and 2000 and the consolidated statements of income, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2001 and 2000 and the results of its operations and the changes in its financial position for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) Brian Newman

Chartered Accountant

Calgary, Canada
July 9, 2001

NetScout Capital Corp.
Consolidated Balance Sheets
For the Years Ended June 30

		2001		2000
ASSETS				
CURRENT				
Cash and short term investments	$	2,248,003	$	1,311,503
Funds held in trust		6,394		177,283
Marketable securities, at cost		707,789		25,175
Accounts receivable		39,702		7,702
Prepaid expenses		44,931		872
		3,046,819		1,522,535
CAPITAL ASSETS (Note 4)		54,097		3,097
INVESTMENTS AND ADVANCES (Note 5)		786,673		-
OTHER ASSETS		4,700		700
	$	3,892,289	$	1,526,332
LIABILITIES				
CURRENT				
Accounts payable and accrued	$	106,773	$	17,248
DEFERRED REVENUE (Note 6)		330,000		-
		436,773		17,248
SHAREHOLDERS' EQUITY				
SHARE CAPITAL (Note 7)		2,971,696		1,823,663
RETAINED EARNINGS (DEFICIT)		483,820		(314,579)
		3,455,516		1,509,084
	$	3,892,289	$	1,526,332

APPROVED BY THE BOARD:

(signed) David L. Tonken **Director**

(signed) John V. Tomanek **Director**

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NetScout Capital Corp.

Consolidated Statements of Income
For the Years Ended June 30

	2001	2000
REVENUE		
Investment income	$ 713,965	$ 8,375
Gain on sale of marketable securities	929,769	-
Management and administrative fees	5,000	-
	1,648,734	8,375
EXPENSES		
Advertising and promotions	19,564	-
Amortization	10,624	1,248
Computer and internet	13,396	1,560
Consultants	47,685	11,580
Equipment rental	2,825	4,866
Interest charges	771	2,174
Lease costs	6,434	-
Listing and filing fees	37,687	2,575
Office and administrative	66,974	13,803
Professional fees	24,445	7,128
Public relations	-	2,789
Rent	91,966	14,237
Salaries and benefits	467,185	136,580
Telephone and fax	10,535	2,182
Travel	50,244	8,338
	850,335	209,060
NET INCOME (LOSS)	$ 798,399	$ (200,325)
Basic earnings (loss) per share	$ 0.08	$ (0.01)

NetScout Capital Corp.
Consolidated Statements of Retained Earnings (Deficit)
For the Years Ended June 30

	2001	2000
Balance, beginning of year	$ (314,579)	$ (114,254)
Net income (loss)	798,399	(200,325)
Balance, end of year	$ 483,820	$ (314,579)

NetScout Capital Corp.
Consolidated Statements of Cash Flows
For the Years Ended June 30

		2001		2000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	$	798,399	$	(200,325)
Adjustments for:				
Amortization		10,624		1,248
		809,023		(199,077)
Changes in non-cash working capital				
Funds held in trust		170,889		(138,492)
Marketable securities		(682,614)		(25,175)
Accounts receivable		(32,000)		(7,702)
Prepaid expenses		(44,059)		(872)
Accounts payable and accrued		89,525		(37,142)
		310,764		(408,460)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital		1,305,150		1,950,000
Costs of issuing share capital		(157,117)		(229,437)
		1,148,033		1,720,563
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of capital assets		(61,624)		(600)
Investments and advances		(786,673)		-
Other assets		(4,000)		-
Deferred revenue		330,000		-
		(522,297)		(600)
INCREASE IN CASH AND CASH EQUIVALENTS		936,500		1,311,503
Balance, beginning of year		1,311,503		-
CASH AND CASH EQUIVALENTS, END OF YEAR	$	2,248,003	$	1,311,503
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:				
Cash	$	62,203	$	52,768
Short-term investments		2,185,800		1,258,735
	$	2,248,003	$	1,311,503

1. BASIS OF PRESENTATION

NetScout Capital Corp. (the "Corporation") is incorporated under the jurisdiction of the *Business Corporations Act* (Alberta). The Corporation is engaged in the business of assisting in the creation of, acquiring, consolidating, reorganizing and reselling publicly traded corporations and identifying business opportunities for those entities.

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries: Camden Ventures Corp.; Top Secret Acquisition Corporation; Mulka Resources Inc.; Black Tide Resources Inc.; By Forty Resources Inc.; Norbeck Resources Ltd.; Tearco Resources Inc.; and Red Tail Exploration Inc. To-date, none of the wholly owned subsidiaries have conducted operations of any fashion.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. In preparing these financial statements, management is required to make estimates and assumptions. In management's opinion, the financial statements have been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized below:

a) Amortization

Capital assets are being amortized on a straight-line basis over five years for furniture and fixtures and three years for computer hardware and software. Amortization commences in the month following acquisition.

b) Revenue Recognition

Revenue is recognized when earned.

Deferred revenue arises as a result of charges by the Corporation for management and administrative fees billed to companies which are subject to significant influence but for financial statement purposes are not consolidated due to the nature of the Corporation's operations.

c) Investments and Advances

The nature of the Corporation's operations include that of acquiring, consolidating and re-organizing various corporations for purposes of intended resale. These corporations, all of which are subject to significant influence, are treated as inventory and are carried at cost where cost includes all charges related to the day-to-day operations which have been paid for by NetScout and also includes charges by NetScout for management and administrative fees.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Marketable Securities

Marketable securities are carried at the lower of cost and market value. The cost of the marketable securities was $707,789 and the market value at June 30, 2001 was approximately $756,630.

e) Segmented Information

The Corporation conducts substantially all of its operations in Canada as one business segment.

f) Earnings (loss) per share

The earnings (loss) per share is computed on the weighted average number of shares issued and outstanding during the year of 10,349,534 shares.

Fully diluted earnings (loss) per share is not reported as its effect is anti-dilutive.

g) Income Taxes

The asset and liability method is used for determining income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated tax recoverable or payable which would arise if assets and liabilities were recovered and settled at the financial statement carrying amounts. Future income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Changes to these balances are recognized in income in the period in which they occur.

3. ACQUISITIONS

Effective August 1, 2000 the Corporation purchased 100% of the issued and outstanding common shares of certain Canadian private corporations from persons considered to be related parties for aggregate consideration of $500 per corporation. All of these corporations have no material assets and have never conducted business operations of any nature whatsoever. These acquisitions have been accounted for using the purchase method of accounting and the purchase price has been allocated to the carrying value of the net assets acquired:

Camden Ventures Corp.	$500
Norbeck Resources Ltd.	500
Top Secret Acquisition Corp.	500
Mulka Resources Inc.	500
Black Tide Resources Inc.	500
By Forty Resources Inc.	500
Tearco Resources Inc.	500
Red Tail Exploration Inc.	500

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4. CAPITAL ASSETS

	2001		
	Cost	Accumulated Amortization	Net Book Value
Furniture	$ 26,219	$ 3,421	$ 22,798
Computer hardware	34,333	7,840	26,493
Computer software	5,417	611	4,806
	$ 65,969	$ 11,872	$ 54,097

	2000		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 4,345	$ 1,248	$ 3,097

5. INVESTMENTS AND ADVANCES

The Corporation's investments in corporations subject to significant influence which are accounted for as inventory on the cost basis are comprised of the following:

	2001	2000
Caliper Resources Inc. (1,700,000 Common shares - 83%)	$ 51,000	$ -
Dusk Energy Inc. (1,700,000 Common shares - 83%)	51,000	-
Eagle Tail Energy Ltd. (4,400,000 Common shares - 94%)	1	-
Tapestry Ventures Ltd. (785,300 Common shares - 16%)	59,109	-
Trident Minerals Inc. (1,300,000 Common shares - 59%)	37,500	-
Investment in entities subject to significant influence	$ 198,610	-

The original investment in Eagle Tail Energy Ltd. of $124,500 has been reduced to $ 1 as a result of the receipt of a dividend payment in the amount of $784,511. The dividend income reported in the accompanying financial statements has been reduced accordingly by the same amount.

5. INVESTMENTS AND ADVANCES (Continued)

In addition to the Corporation's investments in corporations subject to significant influence, the following advances, which include applicable management and administrative fees, have been paid and or accrued on behalf of these entities:

	2001	2000
Eagle Tail Energy Ltd.	$ 26,927	$ -
Caliper Resources Inc.	86,333	-
Data Trax Systems Ltd.	109,015	-
Dusk Energy Inc.	86,681	-
Tapestry Ventures Ltd.	192,817	-
Trident Minerals Inc.	86,290	-
Advances to entities subject to significant influence	588,063	-
Total Investments and Advances	$ 786,673	$ -

6. DEFERRED REVENUE

Deferred revenue is comprised of consulting fees charged to corporations which are subject to significant influence. The deferred revenue will be either recognized as income or written off once the corporation to which it relates is either sold or no longer subject to significant influence.

	2001	2000
Eagle Tail Energy Ltd.	$ 30,000	$ -
Caliper Resources Inc.	60,000	-
Data Trax Systems Ltd.	60,000	-
Dusk Energy Inc.	60,000	-
Tapestry Ventures Ltd.	60,000	-
Trident Minerals Inc.	60,000	-
	$ 330,000	$ -

7. SHARE CAPITAL

a) Authorized
   An unlimited number of common shares
   An unlimited number of preferred shares

7. SHARE CAPITAL (Continued)

b) Issued

	Number of shares		Amount
Balance as at June 30, 1999	2,620,000	$	103,100
Issued on exercise of special warrants	6,633,600		1,950,000
Issue costs related to special warrants	-		(229,437)
Balance as at June 30, 2000	9,253,600		1,823,663
Issued under prospectus offering	2,174,500		1,304,700
Issue costs related to prospectus offering	-		(157,117)
Issued on exercise of Class "A" warrants	1,000		450
Balance as at June 30, 2001	11,429,100	$	2,971,696

c) Common Shares Reserved

The Corporation established a stock option plan for directors, officers, key employees and consultants. The number of common shares reserved under the plan is currently authorized at 2,285,620. Of the options granted, 1,824,000 options and the common shares underlying these options are held in escrow pursuant to the CDNX conditional listing requirements and are releasable as to one-tenth on September 14, 2001 and one-third on each anniversary date thereafter. As at June 30, 2001 there are a total of 2,021,405 options granted as follows:

Date Granted	Number Outstanding	Exercise Price	Expiry Date
August 14, 2000	1,824,000	$ 0.30	April 15, 2005
March 1, 2001	171,405	0.60	March 1, 2006
May 15, 2001	26,000	0.60	May 16, 2006

In addition to the above, the Corporation has reserved for issuance the following:

Description	Number Outstanding	Exercise Price	Expiry Date
Class A warrants	6,632,600	$ 0.45	October 1, 2001
Broker A warrants	650,000	0.50	October 1, 2001
Broker B warrants	300,000	0.50	October 1, 2001
Agent Options	217,450	0.60	December 28, 2001

8. RELATED PARTY TRANSACTIONS

NetScout Capital Corp. charges management and administrative fees to certain other corporations which are subject to significant influence by NetScout. These charges, which total $330,000 are included in the accompanying financial statements as deferred revenue (see Note 6) and the advances portion of the investment and advances (see Note 5).

Salaries and benefits of $287,802 (2000 - $129,095) have been paid to officers and directors of the Corporation.

The Corporation paid consulting fees of $36,750 to an officer and director of the Corporation (2000 - $5,500). In addition, consulting fees of $10,935 were paid to corporations having common directors.

Pursuant to agreements dated effective August 1, 2000, the Corporation purchased all of the issued and outstanding shares of certain private companies from two individuals who were officers and directors of the Corporation. The consideration paid of $500 per company was determined by reference to the costs incurred by the vendors for the original incorporation and maintenance of the companies. These entities have been consolidated with the financial position of the Corporation.

The Corporation entered into an agreement with an officer and director whereby the Corporation acquired an option to acquire 4,400,000 common shares of Eagle Tail Energy Ltd. ("Eagle Tail") at an option price of approximately $0.03 per share and indebtedness in the amount of $7,500 until August 15, 2002. The Corporation paid $35,000 to the officer and director as consideration for this option. On December 2, 2000 the Corporation exercised its option and acquired 4,400,000 common shares which represented approximately 94% of the issued and outstanding shares and indebtedness in the amount of $7,500. The purchase price consisted of $132,000 less the previously paid $35,000.

Subsequent to the Eagle Tail acquisition, Eagle Tail acquired Apollo Gas Inc. from Apollo Gas Income Fund. As a result of the Apollo acquisition, Eagle Tail recognized a significant profit. In consideration for services provided, Eagle Tail paid a fee of $75,000 to a private corporation controlled by a director of NetScout. In addition, Eagle Tail paid bonuses of $200,000 to the President of Eagle Tail who is also the President of NetScout and paid $150,000 to an officer of Eagle Tail who is also an employee of NetScout. In April of 2001, Eagle Tail declared and paid a dividend in the amount of $838,000 to parties all considered to be related parties of NetScout. As stated in Note 5 above, the portion of this dividend paid to the Corporation was $784,511.

9. FINANCIAL INSTRUMENTS

1) Fair Values of Financial Assets and Liabilities

The Corporation's financial instruments that are included in the balance sheet are comprised of cash and short-term investments, accounts receivable, marketable securities, a portion of the advances receivable and accounts payable.

The fair values of the financial instruments that are included in the balance sheet, other than the advances receivable, approximate their carrying amount due to the short-term maturity of those instruments. The fair value of the advances receivable does not differ significantly from its carrying value.

2) Credit Risk

The carrying value of accounts receivable reflects management's assessment of the credit risk associated with the accounts receivable.

The carrying value of advances receivable included in investments and advances (Note 5) reflects management's assessment of the credit risk associated with these amounts. The amounts are due from entities which currently do not have the financial capabilities to repay the obligations to the Corporation. However, management believes that at the conclusion of the earnings process, represented by the sale of the entity, the amounts will be ultimately collectable.

10. INCOME TAXES

Temporary differences and tax loss carryforwards which give rise to future income tax assets and liabilities are as follows:

		2001		2000
Tax loss carryforwards	$	302,190	$	128,539
Capital Assets		4,950		-
		307,140		128,539
Less: Valuation allowance		307,140		128,539
Net future tax assets	$	-	$	-

10. INCOME TAXES (Continued)

The Corporation's income tax liability has been determined as follows:

	2001	2000
Net income (loss) for the period	$ 798,399	$ (200,325)
Combined basic federal and provincial income tax @ 44%	$ 351,296	$ (88,143)
Increase (decrease) resulting from:		
Non deductible expenses	5,394	311
Non taxable dividend income	(345,185)	-
Adjustment for capital gains taxation at 66.67%	(136,366)	-
Temporary differences	(49,532)	(275)
	$ (174,393)	$ (88,107)

The Corporation has incurred accumulated non-capital losses of $686,796 for income tax purposes which are available to reduce taxable income in future years. These losses expire at various dates through to the year 2008. Realization of the related future income tax asset is dependent on generating sufficient taxable income prior to the expiration of these amounts.

The Corporation is in a relative start up phase of operations and as such, does not believe that it has met the more likely than not test for accounting purposes. As a result, a full valuation allowance against future tax assets has been recorded.

11. COMMITMENTS

The Corporation is committed to certain annual payments for office equipment and rental of office premises as follows:

	2002	2003	2004	2005
Rental of office premises	$ 65,955	$ 65,955	$ 65,955	$ 43,970
Office equipment	3,540	2,347	696	-
	$ 69,495	$ 68,302	$ 66,651	$ 43,970

12. SUBSEQUENT EVENTS

In July, 2000, the Corporation acquired 785,300 common shares of Tapestry Ventures Ltd. ("Tapestry") representing approximately 16% of the issued and outstanding shares of Tapestry and indebtedness of Tapestry in the approximate amount of $95,000. The purchase price was $150,000. Tapestry is a reporting issuer in the Province of British Columbia and its shares are listed on the Canadian Venture Exchange ("CDNX"). Tapestry does not currently have any material assets. In April, 2001, the Corporation, Tapestry and Investment Strategy Group Inc. ("ISG") entered into an agreement whereby Tapestry would acquire 51% of Cheng Xi Information Technology Ltd., a company carrying on business in Wuhan, China. Subsequent to year end, the Corporation, Tapestry and ISG entered into a further agreement which superceded the prior agreement (the "Agreement") for the reorganization of Tapestry. The proposed reorganization is subject to regulatory and shareholder approval. Under the terms of the Agreement, Tapestry will acquire 51% of Cheng Xi Information Technology Ltd. in consideration for 13,260,000 common shares of Tapestry (the "Acquisition") and complete a private placement of 2,000,000 units to ISG and 1,750,000 units to NetScout at a price of $0.10 per unit (the "Private Placement"). Each unit will be comprised of one common share of Tapestry and one warrant. Each warrant is exercisable into one common share of Tapestry at an exercise price of $0.14 and has an expiry date of 2 years from the date of issuance. ISG has agreed to provide by October 1, 2001 the initial documents required under CDNX policies to obtain CDNX acceptance of the Acquisition and of the Private Placement. ISG has agreed to pay NetScout $5,000 per month as a "good faith" deposit commencing August 1, 2001. The amount will increase to $25,000 per month commencing October 1, 2001 if ISG does not deliver the initial documents required to effect the transaction by that date. If the Agreement is terminated prior to completion of the Acquisition, NetScout will retain the deposit as a non-completion fee. The Agreement will terminate if the Acquisition is not completed within 12 months from the effective date of the Agreement. The parties are presently preparing documentation necessary to meet regulatory requirements in order to complete the transaction.

CORPORATE INFORMATION

NetScout Capital Corp.
400, 521 – 3rd Avenue S.W.
Calgary, Alberta T2P 3T3
Telephone: (403) 263-3653
Facsimile: (403) 263-3998
E-mail: netscout@cadvision.com
Website: www.netscoutcapital.com

Board of Directors
David L. Tonken
Thomas H. Field
Jim Silye
Geoffrey P. Smith
John V. Tomanek
Timothy R. Tycholis

Management
David L. Tonken
Chief Executive Officer & President

John V. Tomanek
Chief Financial Officer

Jo-Anne M. Bund
Corporate Counsel

Gregory B. Matthews
Special Projects Manager

Legal Counsel
Bennett Jones
Calgary, Alberta

Bankers
Royal Bank
Calgary, Alberta

Auditor
Brian Newman
Chartered Accountant
Calgary, Alberta

Registrar and Transfer Agent
Olympia Trust Company
Calgary, Alberta

Stock Listing
Canadian Venture Exchange
Trading Symbol: NSC